

Message Text

CONFIDENTIAL

PAGE 01 STATE 009781

67

ORIGIN FRB-02

INFO OCT-01 EUR-06 ISO-00 RSC-01 /010 R

66613

DRAFTED BY: NORMAND BERNARD, FED. RES

APPROVED BY: EUR/WE: RDVINE

----- 121838

P 162155Z JAN 74

FM SECSTATE WASHDC

TO AMEMBASSY ROME PRIORITY

C O N F I D E N T I A L STATE 009781

DELIVER PROMPTLY TO THE HONORABLE ARTHUR F. BURNS
FROM FEDERAL RESERVE BOARD

PRICES OF TREASURY NOTES AND BONDS WERE LITTLE CHANGED TODAY AS THE MARKET ABSORBED A LARGE SALE OF TREASURY NOTES BY A FOREIGN CENTRAL BANK EXECUTED THROUGH THE DESK. BILL RATES WERE ALSO GENERALLY STEADY, WITH THE 3-MONTH BILL CLOSING ONE BASIS POINT HIGHER AT 7.90 PER CENT. FEDERAL FUNDS TRADED IN A 9-3/4 TO 10 PERCENT RANGE AND THE SYSTEM PROVIDED SOME \$610 MILLION OF RESERVES, MAINLY THROUGH REPURCHASE AGREEMENTS. STOCK PRICES CONTINUED TO MOVE HIGHER TODAY IN MODERATE TRADING. THE DOW JONES INDUSTRIALS ROSE 9.69 POINTS TO A LEVEL OF 856.09.

SALES OF NEW DOMESTIC-TYPE CARS IN THE FIRST TEN DAYS OF JANUARY WERE AT AN ANNUAL RATE OF 7.4 MILLION UNITS, DOWN FROM THE 7.9 MILLION RATE OF DECEMBER AND THE 10 MILLION RATE OF JANUARY 1973. BOOK VALUE OF BUSINESS INVENTORIES ROSE TO AN ANNUAL RATE OF \$38 BILLION IN NOVEMBER, REFLECTING MAINLY A VERY SUBSTANTIAL INCREASE IN WHOLESALE AND RETAIL TRADE INVENTORIES. INVENTORY TO SALES RATIOS EDGED LOWER FOR MANUFACTURING BUT MOVED HIGHER FOR TRADE. THE NEW YORK STOCK EXCHANGE REPORTED THAT MARGIN CREDIT OUTSTANDING AT BROKERS AND DEALERS DROPPED \$410 MILLION DURING DECEMBER TO A LEVEL OF \$5,050 MILLION AT MONTH END. THE VOLUME OF MARGIN CREDIT OUTSTANDING AT THE END OF 1973 WAS 36 PER CENT LOWER THAN THE YEAR EARLIER LEVEL OF \$7,900 MILLION.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 009781

PRESIDENT NIXON NAMED KENNETH R. COLE, MR., EXECUTIVE

DIRECTOR OF THE DOMESTIC COUNCIL, TO BE ASSISTANT TO THE PRESIDENT FOR DOMESTIC AFFAIRS. A WHITE HOUSE SPOKESMAN SAID THIS APPOINTMENT WILL MAKE MR. COLE THE PRINCIPAL DOMESTIC ADVISOR TOTHE PRESIDENT.

GNP IN THE FOURTH QUARTER, ACCORDING TO THE COMMERCE DEPARTMENT PRELIMINARY ESTIMATE TO BE RELEASED THURSDAY OR FRIDAY, SHOWS A RISE OF \$29.5 BILLION -- \$1/2 BILLION LARGER THAN THE STAFF ESTIMATE IN THE DECEMBER GREEN BOOK. REAL GNP ROSE AT A 1.3 PERCENT ANNUAL RATE AND THE GNP DEFLATOR AT A 7.9 PERCENT RATE. THE COMMERCE ESTIMATES INDICATE A SLIGHTLY LARGER INCREASE IN INVENTORY INVESTMENT THAN THE STAFF HAD BEEN ANTICIPATING.

THE DOLLAR DECLINED BY ROUGHTLY 3/4 PER CENT AGAINST CONTINENTAL CURRENCIES TODAY, WHILE APPRECIATING SOMEWHAT AGAINST STERLING AND THE CANADIAN DOLLAR. IT REMAINED VERY FIRM IN TOKYO WHERE THE BANK OF JAPAN MADE INTERVENTION SALES OF 300 YEN/DOLLAR.

THE FRENCH FRANC REMAINED UNDER PRESSURE WITHIN THE SNAKE, AND THE BANK OF FRANCE SOLD SOME DOLLARS. OTHER CENTRAL BANK INTERVENTION INVOLVED PURCHASES OF FRANCS AGAINST MARKS AND SWEDISH DRONOR.

THE GERMAN FEDERAL BANK ALSO SOLD DOLLARS TODAY, PARTLY OFF-SETTING ITS INTERVENTION PURCHASES OF FRENCH FRANCS. THE BANK OF ENGLAND INTERVENED EARLY IN THE DAY AS STERLING REACHED NEW LOWS. LATER IN THE DAY THE POUND TENDED TO RECOVER. EURO-DOLLAR INTEREST RATES WERE LITTLE CHANGED AFTER ALLOWANCE FOR TECHNICAL FACTORS. GOLD ROSE 75 CENTS TO \$126.25. RUSH

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CENTRAL BANK, SECURITIES MARKETS, TREASURY BILL RATES, BONDS (SECURITIES), PERSONNEL APPOINTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE009781
Document Source: CORE
Document Unique ID: 00
Drafter: NORMAND BERNARD, FED. RES
Enclosure: DG ALTERED
Executive Order: GS
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740137/aaaabiuc.tel
Line Count: 91
Locator: TEXT ON-LINE
Office: ORIGIN FRB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 21 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 MAY 2002 by boyleja>; APPROVED <24 DEC 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: STOCK MARKET PROJECTION TO BE DELIVERED TO ARTHUR F. BURNS
TAGS: EFIN
To: ROME
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005